



**A Few Essentials:
(FTA) Grant Agreements
and
Financial Criteria**

Objectives

Agreements

- Grant Agreement layout
- Frequently asked questions
- FTA Certifications and Assurances

Finance

- Governing Regulations
- Direct and Indirect cost
- Cost Allocation Plan requirements
- Match
- Supporting Documents

Agreement Layout

- New Master Grant Agreement
 - Consistency between programs
 - Fewer revisions = easier to manage/comply
 - Items moved to Exhibits
 - Sections requiring annual review/changes
 - Program-specific information or T&Cs
 - Recipient-specific information or T&Cs
 - Agreement Signed at time of application

Exhibits

- Exhibit A: Project Award Description
- Exhibit B: Program Description and Communications and Contact Information
- Exhibit C: Responsibility Matrix
- Exhibit D: Procurement and Third Party Contract Provisions
- Exhibit E: Discrimination & Title VI Requirements
- Exhibit F: Disadvantaged Business Enterprise (DBE) Requirements
- Exhibit G: Insurance (Risk Management) Requirements
- Exhibit H: Language Modifications

Recordkeeping

- Agreement Reference: IV.12
- All SUBRECIPIENTS and/or their CONTRACTORS and the parties
 - all data, books, and other records relating to this Agreement
 - five years after completion of the Agreement

AUDIT

- Agreement Reference IV.12 & IV.13
 - All records (Sub-Recipients and Contractors) subject to inspection & audit by State – ARS 35-214
 - Single Audit Act
 - By ADOT
 - By FTA or other federal agencies as requested

Attorney Determination

- Required
 - Public agency
- Optional
 - All other sub-recipients
 - Attorney Review Recommended
- “In Lieu”
 - Must physically write “Acknowledge & Waved”
 - Must physically *sign* the page

Pre-Signing Requirements

- Recital 2)
 - “SUBRECIPIENT has obtained appropriate action by ordinance or resolution or otherwise pursuant to the laws or other rules and regulations applicable to it and its governing bodies and is authorized to enter into this Agreement and has delegated to the undersigned the authority to execute this Agreement on behalf of SUBRECIPIENT.”
 - Includes approval for Match based on application budget
- Miscellaneous 4)
 - “The SUBRECIPIENT shall initiate and complete all actions necessary to provide its share of the PROJECT costs at or prior to the time that such funds are requested and/or required by the STATE.”

FTA Certifications and Assurances

- Agreement Reference: IV.20
 - Past
 - Every agreement needed FTA C&A
 - Every year required attorney signature
 - Now
 - Monitored by active awards for each agency
 - 1 FTA C&A per agency
 - 1 Attorney signature per federal fiscal year

Indirect Costs

- Agreement Reference III. 2.r
- Explains cost eligibility for reimbursement, invoicing requirements, and documentation requirements
 - 2.r.a Explains Indirect Cost Allocation Plan and Cognizant Agency

Governing Regulations for Direct and Indirect Costs

Current Regulations

- Common Rule – 49 CFR Part 18
- 49 CFR Part 19
- 2 CFR 225 (Formerly OMB A-87)
- 2 CFR 220 (Formerly OMB A-21)
- 2 CFR 230 (Formerly OMB A-122)
- OMB A-133
- FTA Circular 6100.1D
- FARS 31.2 for Private Agencies
- Appendix E of FTA Circular 5010

Final but not Implemented

- **Council on Financial Assistance Reform (COFAR)**
<https://cfo.gov/cofar-reform-grants/>
 - 2 CFR Part 215 (A-110)
 - 45 CFR Part 92 (A-102)
 - 2 CFR Part 220 (A-21)
 - 2 CFR Part 230 (A-122)
 - 2 CFR Part 225 (A-87)
 - A-133

Direct & Indirect Costs

Must be:

1. Allowable
2. Reasonable
3. Allocable

Allowable Costs

- Necessary, Reasonable, and Allocable
- Conform to award requirements
- Consistently treated for federal & non-federal
- Consistently allocated as either direct or indirect
- Follow GAAP or GASB principles as applicable
- Not used as match / cost sharing
- Adequately documented

Allowability of Costs

- *Advertising*
 - (*Allowable*) Advertising and public relations costs
 - a. The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.
 - (*Disallowed*) All advertising and public relations other than as specified in subsections 1.c, d, and e.
 - (*Disallowed*) Costs of meetings, conventions, convocations and other events related to other activities ... and salaries of the employees ... and costs of models, gifts, souvenirs, and memorabilia.
- *Alcoholic beverages* are always **disallowed**

2 CFR 225 Appendix B

Reasonable Costs

In determining reasonableness of a given cost, consideration must be given to:

- (a) Recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- (b) Sound business practices; arm's-length bargaining; Federal, state and other laws and regulations; and terms and conditions of the Federal award.
- (c) Market prices for comparable goods or services for the geographic area.
- (d) Individuals concerned acted with prudence...
- (e) No significant deviation from established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

Allocable Costs

- If chargeable or assignable to that Federal award or cost objective with relative benefits received.
 - Incurred specifically for the Federal award;
 - Distributed in proportions using reasonable methods
 - Necessary and assignable per 2 CFR 200.405
 - Not charged to other awards
 - In Accordance with Direct / Indirect costing principles
 - Comply w/ Cost Accounting Standards {CAS}
(contracts > \$700k)

Direct Costs

- 2 CFR §200.413 Direct costs.
 - (a) *General*. Direct costs are those costs that can be identified specifically with a particular ... Federal award [and] ... treated consistently as either direct or indirect (F&A) costs.
 - (b) *Application to Federal awards*. Identification with the Federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect (F&A) costs of Federal awards.

Examples of Direct Costs

- Compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred for the Federal award 2 CFR 200.413 (b).
- Consultant services contracted to accomplish specific grant/contract objectives
- Travel to accomplish specific grant/contract objectives

Indirect Costs

- Indirect costs are those:
 - (a) incurred for a common or joint purpose benefitting more than one cost objective, and
 - (b) not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

Examples of Indirect Costs

- Cost of utilities for a building housing multiple projects and other functions
- Examples of indirect (F&A) cost for many nonprofit organizations may include
 - depreciation on buildings and equipment,
 - costs of operating and maintaining facilities,
 - general administration and general expenses
 - salaries and expenses of executive officers, personnel administration, and accounting

2 CFR 200.414 (b)

Ask these questions when assigning a cost...

- Is it allowed per Federal Regulations and the award?
- Is it reasonable?
- Is it a project/award specific cost?
- Can it be assigned to the project relatively easily and with a high degree of accuracy?
- Is it treated consistently?

Need for an ICAP

In accordance with federal regulations – you can only be reimbursed for indirect costs if you have an approved ICAP.

An ICAP is not needed for an entity that only bills direct costs

Indirect Cost Allocation Plan Requirements

- 2 CFR Part 200 Appendices IV, V, VI
 - Written Plan Description
 - Schedule of costs
 - Methodology for Allocation
- Approved by Cognizant Agency
 - Refer to Grant Agreement, III.r (a)

Match

2 CFR §200.29 Cost sharing or matching means the portion of project costs not paid by Federal funds (unless otherwise authorized by Federal statute).

In other words...

Match is the amount of funding that the sub-recipient must contribute in support of the project.

Match Criteria

- Cash and third party in-kind contribution meeting criteria of 2 CFR 200.306
 - Verifiable / documented
 - Only used as match on 1 award
 - Allowable (see Subpart E)
 - Non-federal \$ (unless statutory exceptions)
 - Approved in award budget
 - Conform to all other items – see criteria for volunteer, fair market value, etc.

Examples of Match

- State or local appropriations
- Dedicated tax revenues
- Private donations
- Net income generated from advertising and concessions
- Non-cash shares such as donations, volunteered services, or in-kind contributions
 - Must document the value and method of valuation for non-cash shares
 - Must be an allowable cost

Farebox

- Money received through the farebox is a revenue.
- Farebox revenues from service cannot be used as local match.
 - Net operating expenses are eligible for assistance. Net operating expenses are those expenses that remain after the provider subtracts operating revenues from eligible operating expenses... operating revenues must include farebox revenues. Circular 9040.1F.

Financial Management System

- Appropriate internal controls
 - Consistent handling of costs
 - Appropriate documentation: Cancelled checks, paid bills, payrolls, time and attendance records, etc.
 - Efficient and Economical Operations
 - Cost control: Expenditure levels, appropriate assignment of cost
 - Safeguard assets
 - Accuracy in reporting

Example: Appropriate documentation

- Details identified by cost center
 - Itemized Payroll Ledger
 - Checks & Time cards
 - Itemized Accounts Payable Ledger
 - Administrative Costs
 - Office Supplies
 - » Invoice & Evidence of receipt & Check
 - Operating Costs
 - Utilities
 - » Invoice & Check

Questions?



Contact Information

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